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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
24 September 1954

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TO : Deputy Director (Intelligence)
SUBJECT: Weekly Summary of Trieste Developments

Excluding some unforeseen development, there is now reason to believe that a final Trieste settlement will be soon forthcoming, probably before 8 October. As a result of Deputy Undersecretary Murphy's high level talks in Belgrade and Rome, considerable progress was made this week in breaking the stalemate which had developed in London over the territorial settlement. Both President Tito and Premier Scelba agreed to make the territorial concessions believed necessary to reach a final settlement.

Murphy's talk with Tito on 17 September was "better than expected." Tito agreed in principle to a Yugoslav concession along the western end of the 31 May line in exchange for a "reasonably proportionate" Italian concession on the eastern end of the line. Belgrade's previous adamant position--that no alteration of this line would be acceptable--had softened.

Murphy followed up the interview with conversations in Belgrade which produced two alternatives to be presented the Italians as final and maximum Yugoslav concessions. (See map) The first entailed Yugoslavia's conceding to Italy that wedge of territory in the coastal area, including Lazzaretto, formed by the intersection of line 50 and the 31 May proposed frontier in exchange for the Zone B "rockpile" being retained by Yugoslavia.

The second alternative was in effect a unilateral concession on the part of Belgrade; the Yugoslavs would agree to give the Italians the "small wedge" north of line 51 including Punta Sotille at the eastern extreme of the proposed 31 May line.

State Dept. review completed

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Although they said they would not insist, the Yugoslavs would like as compensation for this concession a small quarry located on the Yugoslav-Italian (not zonal) frontier. However, in view of Velebit's subsequent interest in obtaining the quarry (probably because of its strategic location), United States delegate Thompson feels that if the Italians would concede the quarry, conclusion of the final points would be greatly facilitated.

Murphy arrived in Rome on 18 September and began a series of conferences with Premier Scelba, Foreign Minister Martino and various high Foreign Ministry officials. He gave a detailed description of the alternative territorial adjustments worked out with the Yugoslavs and strongly emphasized that they represented the final position on territory, obtained by maximum effort of the United States.

The expressed reaction of the Italian leaders paralleled Martino's statement, "If we have no other choice, we must accept one of these." Indications are that Rome will accept the "small wedge" without having to give compensation.

The Scelba government now plans to proceed as quickly as possible toward final acceptance. Brosio in London is instructed to push for the settlement of all minor points still not agreed on, and the Foreign Ministry has asked the United States to try to stimulate Yugoslavia to a prompt decision on them. The entire Trieste agreement will then be presented to the cabinet, which will decide on one of the territorial alternatives and, unless unforeseen opposition develops, approve the agreement. The Foreign Ministry favors this procedure, believing that the favorable aspects of the over-all solution will serve to balance any "unfavorable" territorial provisions in the cabinet's eyes.

No definite prediction could be made as to the date of Italian acceptance, although Foreign Ministry undersecretary Casardi told Murphy he doubted that it could come before the opening of the London conference on 28 September. The Italian government was immediately concerned this week with the Montesi scandal, repercussions of which might contribute to a delay in cabinet action on the Trieste solution. If the delay is prolonged, however, another serious threat to the government's stability will arise in the parliamentary foreign affairs debate scheduled to begin on 4 October.

Velebit is to meet Vice President Kardelj in Brussels on 29 September and hopes then to get full instructions which would enable him to clean up outstanding points. He has said, however, that in the meantime he will gladly meet with Italian

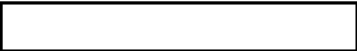
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delegate Brosio in order to see whether it would be possible on the basis of his present instructions to conclude the negotiations more quickly.

Now that the territorial impasse has apparently been resolved, the minor points remaining should be subject to rapid accord. Both the Italians and Yugoslavs have suggested, however, that some nonzonal frontier problems be terminated simultaneously with the Trieste agreement. Unless the United States and Britain succeed in their insistence that these differences be left to later bilateral discussions, some further delay might occur.

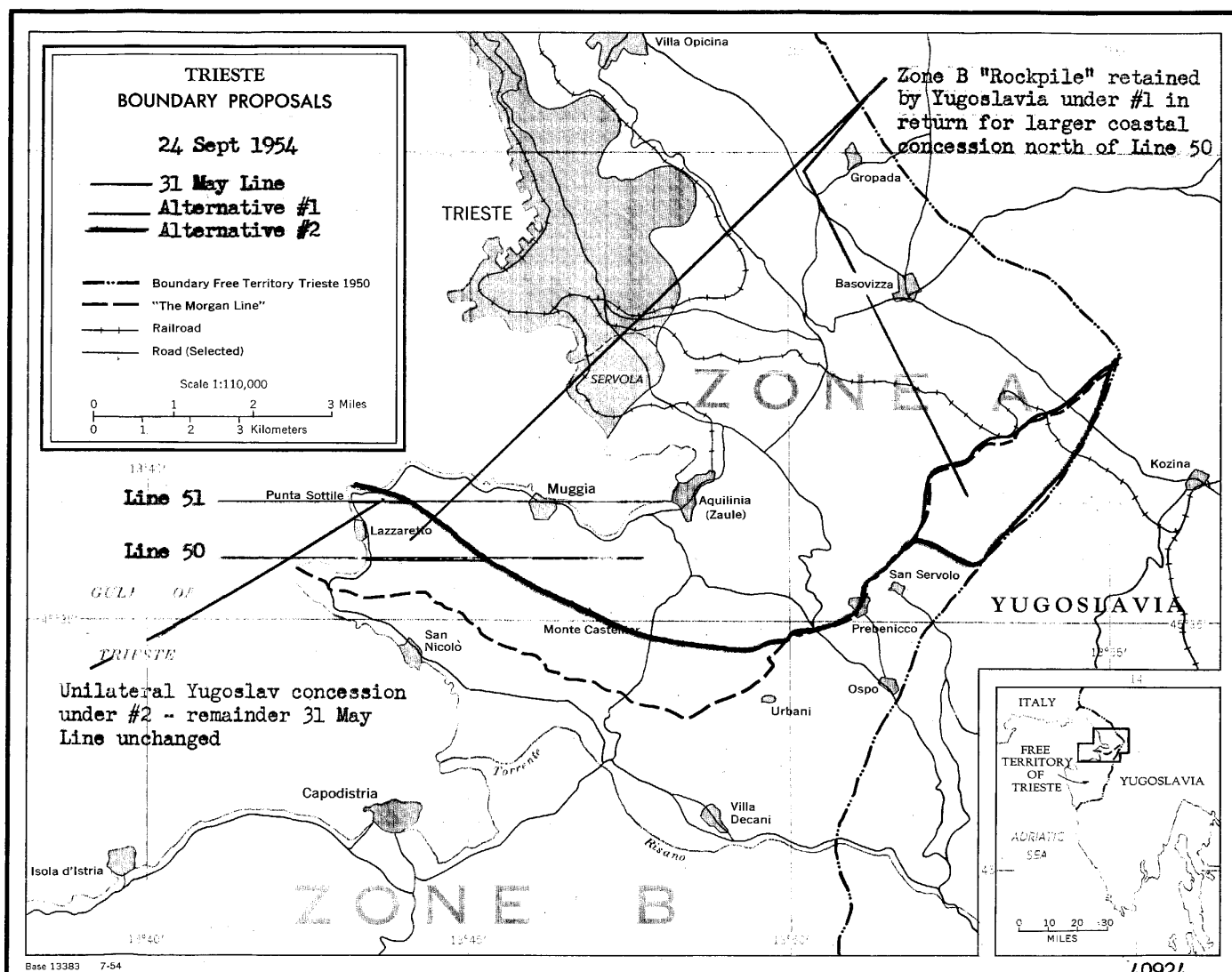

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